

Austrian Economics: New Applications

An Interview With Mark Thornton



AUSTRIAN ECONOMICS NEWSLETTER

Summer 2001 — Volume 21, number 2

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The Austrian Economics Newsletter is published quarterly by the Ludwig von Mises Institute.

AUSTRIAN ECONOMICS: NEW APPLICATIONS

AEN: Your research and writing have applied Austrian economics to many unusual theoretical, historical, and political topics.

THORNTON: This wasn't a conscious decision, but I have taken this direction over time. My comparative advantage has been to deal with the hard cases, the interesting puzzles in political and historical discussions. By showing how Austrian theory can be used in this way, we serve two purposes. First, we illuminate the issue in question. Second, we show how Austrian economics isn't just high theory but is also a very useful tool for understanding the world as it is.

There are so many issues that Austrians haven't really done much work on: illegal drugs, slavery, famine, sports, war. All of these cases are cited as areas where market logic does not apply. By showing that the laws of economics are universally applicable, even to the supposed exceptions, we take large steps toward bolstering the Austrian School's central claim—one usually denied by the mainstream—that the logic of human action is an immutable feature of the world.

AEN: Which isn't to say that your conclusions are known before your investigations.

THORNTON: Not at all. When I begin a historical project, it is with a genuine curiosity about the relationship among factors, and I try to consider every possible explanation, using Austrian methods. But it ends up that Austrian-style political and institutional explanations are the most revealing in explaining the solution to the problem. Whether it's the drug market, the Irish famine, or slavery, there is a very logical



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explanation, a link between cause and effect, that fits with Austrian theory.

AEN: You regard freedom to specialize, then, as a natural outgrowth of the Austrian tradition.

THORNTON: As we get further into the post-Rothbard era of the Austrian School, I have noticed a

because they were just about the only ones who made sense during their time. There were only a handful of Austrians back then.

The work of Mises gave rise to a mass of thinkers who can continue the tradition and also work intensely in particular areas. This is something that Henry Hazlitt, in one of his last lectures, encouraged. He hoped that Austrians would not only be the most theoretically rigorous economists but also those with the most factual expertise in a particular area.

It is important to revisit texts like *Human Action* and *Man, Economy, and State*, and it is important to revise and correct them where they are wrong. But I remain convinced that applied work is where my generation of Austrians can be most fruitful. At the same time, no good Austrian can turn down a chance to write in broad areas. We all have a philosophical turn of mind. It's an Austrian character trait.

AEN: You mentioned cause and effect earlier. Do you agree with Menger that this is the core issue in economics?

THORNTON: I read Menger's *Principles* as an undergraduate, and it was the key lesson I drew from this great work. I always try to emphasize this in my teaching. The point of doing economics isn't to collect and assemble data, much less to be able to discern the future. The point is to understand the relationships between action and results, to understand

the cause behind some effect. Data alone do not tell you this.

This should be on the minds of all economists but it is not. The mathematization of economics has led to this strange unwillingness of economists to discuss these crucial relationships of actions and effects. They say they are just throwing data into a machine to see what turns up. But in truth, even the choice of what data you put into your econometric machine says something about what you think is a potential cause.

AEN: Is the Irish potato famine an example of the confusion over cause and effect?

THORNTON: The mainstream treatment focuses almost entirely on the effect. We read endlessly about the lack of food, the malnutrition, the crop failures, the disease, the programs that were designed to ameliorate it, the number who died, the number who emigrated, what people said, changes in population, and on and on. Finally, when you get to the cause, economists and historians provide an answer like: crop fungus. Yes, sure, that's an immediate cause of the potato blight. But you don't have to be an economist to notice that.

The fundamental cause, from an economic point of view, is institutional in nature. Property rights and free enterprise were not secure because of a longstanding English policy to subjugate the Irish people. The Irish couldn't

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general trend toward specialization among my generation. The Mises and Rothbard generations wrote on everything, not only because they were competent in so many areas, but also because they were so few. Their services were called upon in every aspect of history, theory, and policy



But of course this also raises issues of politics, and many economists just don't want to talk about politics.

AEN: Austrian theory, then, shows you where to look.

THORNTON: Right, and that counts for so much. The economist can add data as is necessary for illustrative purposes, but your empirical work is designed to provide historical content, not the theory as such. You don't have to continually rummage through the entire toolbox of

own land. They couldn't sell land. They couldn't own guns to protect any property they might have had. They couldn't make enforceable long-term contracts. The best land was stolen by the English. And this is only the beginning. We had an economy here that did not work and could not adjust to change. The blight was an outgrowth of this but not a foundational cause of the famine.

AEN: What explains the timing?

THORNTON: When Britain incorporated Ireland around 1800, a protective-tariff wall was put up around Ireland. The Irish couldn't manufacture and sell into England. So, manufacturing was out. This created an opportunity in Ireland to grow more food, which people did. The English landlords made a killing, and the people were fed. But after the repeal of the Corn Laws—which was a good thing, of course—food

and land prices collapsed, which was not a good thing because the shackled and distorted economic structure couldn't adjust.

Even apart from that, this was a disaster waiting to happen. The landlords themselves were unsure about the status of their property, which was mostly given away in the unending political-spoils game being played in London. The landlords had every incentive to exploit the land to its fullest as soon as possible, without regard to the long-term consequences—among them, the blight. After the famine, the British government made matters worse with policies designed to “fix” the problem. It's a great example of how all forms of welfare fail and how liberty and property might have prevented disaster.

It is impossible to discuss the real causes of the famine without discussing this aspect of the problem.

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causes. You limit the possibilities very quickly by understanding the way policy affects the world. If you see famine, mass death, and huge dislocations that last and last, it more than likely stems from a political failure of some

sort. The purpose of research is to discover this failure and link it up.

It is especially odd to find economists offering noneconomic explanations for important events, as in the case of the Irish famine. Then again, it is often said that history is written by the winners.

AEN: You have cited the Civil War as a case in point.

SLAVERY WAS NOT A TRUE CAUSE OF THE CIVIL WAR: IN FACT, MOST CAUSES OF WAR IN HISTORY ARE MORE ECONOMIC IN NATURE.

THORNTON: Almost any historian will tell you that the Civil War was caused by slavery, that abolitionist sentiment in the North threatened the Southern way of life, so the South had to secede in order to preserve it. But in fact, slavery was not a true cause of the war: In fact, most causes of war throughout history

are more economic in nature, not ideological or racial.

The cause in this case was the protectionist policies of the industrial classes, who succeeded in getting the central government to keep tariffs on imports extremely high and then to threaten to raise them. In other words, the North wanted a mercantilist system in which Southerners paid most of the costs.

Now, it is true that slave labor was bound up with the Southern economy. It was the way that the South produced much tobacco, cotton, and other agricultural products, for export. But Southerners were also consumers of manufactured goods. The Northern Republicans wanted to tax imports of manufactured goods, which required Southerners to pay higher prices on their goods than they otherwise would have had to pay, solely for the purpose of benefiting Northern producers.

Most federal expenditures on public works were in the North. So there was this coercive drain of resources from the South to the North. That was the cause of the conflict that led to secession and war. As for slavery, it was integral to the South, but Northern states discouraged the emigration of free blacks. The underground railroad ended in Canada because there was nowhere else for blacks to go. If Northern Republicans were really against the exploitation of slave labor, why did they do so much to exploit the economy of the South?

ADDITIONAL RESOURCES

BOOKS AND BOOK CHAPTERS:

The Economics of Prohibition (Salt Lake City: University of Utah Press, 1991).

"Austrian School of Economics," *Reader's Guide to the Social Sciences* (Fitzroy Dearborn Publishers, March 2001).

"Richard Cantillon and the Origin of Austrian Economic Theory," in *Fifteen Great Austrian Economists* (Auburn, Ala.: Ludwig von Mises Institute, 1999).

"Joseph Schumpeter," "Fritz Machlup," and "Benjamin Anderson," *American National Biography*, John A. Garraty ed. (New York: Oxford University Press, 1999).

JOURNAL ARTICLES:

"The 'Confederate' Blockade of the South," with Robert B. Ekelund, Jr., *Quarterly Journal of Austrian Economics* 4, no. 1 (Spring 2001): 23–42.

"Richard Cantillon and the Origins of Economic Theory," *Journal of Economics and Humane Studies* 8, no. 1 (March 1998): 61–74.

"The Fall and Rise of Puritanical Policy in America," *Journal of Libertarian Studies* 12, no. 1 (Spring 1996): 143–60.

"Alcohol Consumption and the Standard of Living in Antebellum America," *Atlantic Economic Journal* 23, no. 2 (June 1995).

"Slavery, Profitability, and the Market Process," *Review of Austrian Economics* 7, no. 2 (1994): 21–47.

"The Pope and the Price of Leather," *Journal of Institutional and Theoretical Economics* 148, no. 3 (September 1992): 452–59.

AEN: How long would slavery have survived had the war not taken place?

THORNTON: Robert Fogel and Stanley Engerman (*Time on the Cross*) make the specific prediction that it would have existed until 1890, that slave prices would have been higher, and so on. I wouldn't want to put a date on it. But if we look around the world at the time, most slave systems were breaking down. It usually involved some political measure, like a bailout or buyout. But it's important to remember that the political will to do this was bolstered by the fact that slavery was a failing economic system.

The reason it remained in the United States so long is that we were going through unprecedented prosperity and economic growth. Cotton was the fuel of the Industrial Revolution. Southerners were able to take advantage of cheap, fertile land. The prices of cotton were good for producers. Because of rising demand, the prices were not falling even with ever-increasing supplies. Markets were unencumbered, and entrepreneurship thrived.

AEN: But slavery was integral to this prosperity.

THORNTON: Slavery was privately profitable but only because of public subsidy. Slavery is also very costly. All labor requires management. Managing slave labor is especially costly because you have to pay for your own

security and for keeping everyone roped into the coercive system.

These additional costs are not a factor in market systems of labor because everyone chooses employment voluntarily. But under slavery, you are continually required to force people to remain in a job that they would not otherwise want to do at the prevailing wage. This is a major reason that slavery is not economically feasible.

The political institutions of the American South were set up to socialize the costs of the system while privatizing its fruits. This was a huge public subsidy and the way of keeping the system going. Everyone was drafted into the slave patrols, and you couldn't free your slaves; it was against the law. All of this reduces the private costs of owning slaves but increases the overall social costs. This security issue is the key difference between free and slave labor, and Fogel and Engerman do not discuss this at all. By not doing so, they fail to see the key point.

AEN: Your book on alcohol prohibition turns out to be quite prescient. Prohibitionist sentiment is everywhere these days.

THORNTON: I recall ten years ago predicting that government would attempt to get rid of cigarettes and other tobacco products. What we've seen every year since then is one more step toward an outright ban. One year it's taxes, then it's restricting advertising, then restrictions on

where you can smoke, and on and on.

The prohibition mindset is not limited to alcohol. That was just the most obvious "problem" targeted. The same logic applies to tobacco, fatty foods, cars, fun, etc. They first go after the most sinful thing, and once the precedent is established, they have free reign to seek total control. The same impulse was behind the pointless

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freon ban, and the attack on cell phones, and a whole range of maniacal movements in recent years.

The prohibitionist mindset is often attributed to the political right, but in our own time and also historically, it is far more

likely to be found on the political left. This shouldn't actually be surprising, since the left is most closely wedded to the idea that government should have power over individual human choice. The left today works in cooperation with the government-funded scientific establishment to pump out absurd rationales for violating liberty.

AEN: But in the case of tobacco, there is good reason to believe it is unhealthy.

THORNTON: Sure, but the issue is actually rather complicated. We are constantly being told that



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tobacco kills 450,000 people every year. This gives you the impression that, every day, 1,000 smokers bite the dust because of their habit. This is

highly misleading. What it really means is that 450,000 people who happen to be smokers die each year. Most of these people just die. They are older adults dying at an average age not that different from the general population.

Also, people who smoke tend not to place health as a top priority, so they are also more likely to drink a lot, live on fast food, eschew exercise, and do other things that are likely to shorten life. They are likely to have lower incomes, to have more dangerous jobs, and to see a doctor less.

AEN: The same is true of people who go to NASCAR races.

THORNTON: Exactly. They drink beer, they tend to be overweight, they eat bad food, and all the rest, so they probably die younger. But it is not NASCAR

that kills them. In the same way, to parade around a claim that 450,000 people die from tobacco is a classic statistical fallacy.

People who advocate drug legalization have pointed out in the past that far more people die from tobacco use than from cocaine use. This is invoked as a rhetorical point to show that the focus on illegal drugs is wildly disproportionate to the actual danger. But the prohibitionists have come back and said: well, that only strengthens the case for prohibiting tobacco!

AEN: Earlier, you mentioned the campaign against cell phones.

THORNTON: Yes, this movement parades around similar fallacies, but they are not based on large samples so much as on individual anecdotes about some

person who had a crash while using a cell phone. What these people don't consider is the benefit of having a cell phone. I've called in two wrecks that I've witnessed in the past year using mine.

If a person has to pull over on the side of the road and plug in the phone, he might be less inclined to report a wreck or even own a cell phone. These phones also save time as tools for finding directions.

People use them, not because they want to be unsafe and dangerous, but because individuals judge them to be a useful and helpful addition to their lives, and on net, improve safety and security. It's not as if people want to get in traffic accidents, as governments seem to assume. Why should anyone assume that government is better than individuals at making these judgments?

AEN: Once the intervention takes place, the costs are hardly considered at all.

THORNTON: Or they are just assumed to be part of the collateral damage. If a person driving in a car without a cell phone is chased, mugged, and killed, hardly anyone will point out that this might have been prevented with a cell phone. And if you do point this out, the response will be that this is the price you pay for the safety of not talking while driving. The absurdities know no limit.

Think of the drug war. A group of missionaries flying in a plane in Peru were shot down, and a woman and her child were killed—all because of the drug war. One might think that this would cause mass outrage, that it would completely undermine the credibility of the drug war. But government and its apologists just dismiss this kind of thing as part of the costs of working toward a drug-free society. Meanwhile, the entire Bill of Rights is being undermined because of this: security from search and seizure, states' rights, free speech, the right to own guns.

Think of the damage that the war on drugs has inflicted on other countries. It has completely corrupted the governments south of the U.S. border, and many more overseas. It has corrupted our domestic police force and filled our jails. Corruption is rampant.

AEN: You say, then, that the costs of the war on drugs are too high.

THORNTON: Even stronger: My research shows that the drug war has no benefits. If it actually prevented some individuals from harming themselves and harming others, the policy might have some perceived justification, regardless of the costs, because costs are subjective. But I just don't see it. We are not protecting children. We are not protecting adults. It doesn't stop anyone from harming themselves and others, or from having access to drugs.

AEN: Yet sometimes it seems that we are making progress with some of these arguments for legalization.

THORNTON: No question. After alcohol prohibition, most people didn't have much experience with illegal drugs, so they were prohibitionists by default. But now there are many people who have had experiences in these markets, and they recognize

MY RESEARCH SHOWS THAT THE DRUG WAR HAS NO BENEFITS. . . . WE ARE NOT PROTECTING CHILDREN OR ADULTS.

that most of what we think of as the dangers of drugs are actually the dangers of the drug war. Mainstream economists were once big supporters of prohibition. But they too are growing skeptical.

Think of all the times the media report what they call a "drug-related crime." Now, these are not crimes committed under the influence, nor are they actually caused by the drugs. They are crimes committed within the

framework of the black-market economy where there are no legitimate courts and other means of settling disputes.

Another problem is the public advocates of legalization. The most common argument is that these underground markets need to be raised so that they can be heavily taxed and regulated. Even worse is the idea of government distribution centers for drugs. The controls go on: We won't

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allow students to be users, or children, and we'll keep it out of schools and public places, and we'll monitor every aspect of the program.

So the government made a mess of the drug war, but we are supposed to believe that it will do a great job in taxing, regulating, distributing, monitoring, and policing drug use.

This is the view of most advocates of drug legalization. They want to get rid of prohibition and replace it with "harm reduction." This is really a failed policy. As soon as it fails—and it will—we will be back to prohibition in no time.

We need to convince people that society itself can handle these problems. To the extent that there are problems with drug use, there is nothing that government can do to diminish it. What we need is a complete turnaround in the way we approach this problem. We need to eliminate the main drug-war message that is coming from government: Whatever else you do, don't do drugs! That message is the best advertisement for drug use ever concocted.

AEN: You mention children. It's a tough case to call for legalization in this category.

THORNTON: By children, I mean under eighteen. We need to first realize that, under prohibition, children of any age can get drugs, and the schools—precisely the place where keeping drugs away from kids is a top political priority—are major distribution centers. So the current system has not only failed; it seems to have completely backfired.

Recall, too, that in legal markets, you cannot make a valid contract with a minor. Children cannot rent cars, even sixteen-year-olds with licenses. Insurance companies won't permit it. Children cannot take out loans or purchase

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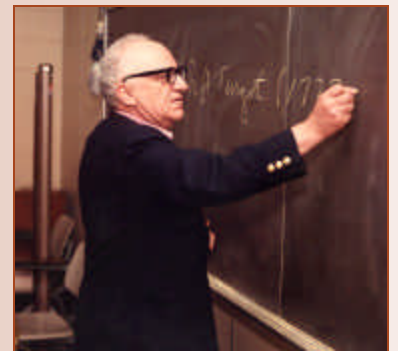
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houses. Businesses that aspire to be reputable and want to grow just will not do this. In a world without state involvement in this issue, society would take care of the problem of kids and drugs.

The same is true with drugs and transportation: American Airlines is not going to allow its employees to snort cocaine before flying passengers. What's more, prescription drugs can often be as debilitating as illegal drugs. Yet corporations are forced to spend time and money testing for drugs that employees do not take, and then they have to cut costs by not testing for drugs that are potentially just as troublesome.

We don't need the government to intervene. The rule here is that you should never allow the state to get its foot in the door. The state always claims that its interventions will only address a temporary problem, an emergency, or will be restricted to a narrow subject. But every time, the intervention stays, and it grows and grows. This is what I propose to do vis-à-vis drugs.

AEN: But you readily acknowledge that legalization will drop the price and increase the demand for the product.

THORNTON: Not necessarily. Price and quantity changes are really not the whole story, or even the main story. Eliminating the forbidden-fruit effect could go a long way toward discouraging current users. Also, when you legalize drugs, you change the

product. Products produced in the underground economy are far more potent, and are of uncertain quality and intensity. In the market economy, many of the uncertainties go away. We know the potency, the origins and ingredients, and the risks. If you go into a restaurant, you expect a certain quality that you don't expect in a black market. If the product does not conform to stated expectations, you can sue.

All these factors may actually end up reducing the amount and the intensity of drugs consumed, while improving product quality and reducing drug abuse. People's sense of what they should take and what they should not take is formed by a sense of personal responsibility. Yes, under legalization, some people will abuse drugs, as they do now, and drugs will even become a tool some people use to ruin their lives, as is the case now. The difference is that those who use them responsibly will do so safely, and society will no longer face the horrible costs associated with the drug war.

AEN: Does the term "addiction" have any economic or scientific meaning?

THORNTON: No. This has been a topic in recent years in the literature, and many economists assume there is such a thing. The idea of addiction is that you consume some of a product, and this causes you to desire to consume more, and this continues to spiral on. Now, the Chicago School

theorists discuss the existence of addictions.

But the very idea doesn't have any economic meaning. It may mean something in a medical sense or a psychological sense, but economic theory should not be attempting to speculate on the degree of intensity of desire or the mental state of the chooser. It should only explain the logical meaning of choice.

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Even in a medical sense, far too much is made of the idea of addiction. Yes, there can be withdrawal symptoms when one quits cigarettes, or heroin. But in the end, thousands of people stop using these drugs every day, just as other people start using them. Sometimes these choices are hard to make, but so are many other choices: to quit one line of work and choose another, to decide to move, to risk all your savings on a new business. In the end, it is a free choice.

AEN: Do you think there may be life-cycle issues involved in the choice to use drugs?

THORNTON: Another way to put it is that young people, the most likely users of drugs, tend to do crazy things. That has been true since the dawn of man and will be until the end of time. Society needs ways to deal with this problem, like channeling these energies into productive work or scholarship. Among all the dangerous things that kids can get

THORNTON: Here is an area where Austrians have done incredibly good work to show that market concentration is not a problem, that monopolies do not actually exist in a free market, and that government itself is the source of monopoly and so can't actually do anything socially worthwhile by intervening. In the Microsoft case, for example, the state seems to have backed off slightly, but look at the enormous costs imposed by intervention in the meantime.

The Austrian School has four or five great scholars working on this subject full time. Sadly, the neoclassical school has thousands of people working on this full time, and most of them have some sort of stake in the preservation of antitrust laws.

There are many ways the two schools differ, but one is particularly important to me: Austrians have always emphasized the heterogeneity of products on the market and, hence, the inability of a scientist to sum them all up and call them the "relevant good." These days, the diversity of products is all the more conspicuous, and antitrust cannot actually do anything but bring about more homogeneity of the kind we don't actually need. Antitrust sets in motion a drive to the bottom.

AEN: You have pointed out that movies are a case in point.

THORNTON: Yes, the Federal Trade Commission's case against the Hollywood monopolies in the

1930s and '40s led directly to the ugly film malaise of the '60s and '70s. The recovery in film quality only began to sort itself out twenty-five years after the Supreme Court mandated a divestiture of all theaters owned by production companies.

It turns out that the system that reigned during Hollywood's Golden Era was exactly what the market ordered: one company managed the film from its conception to its theater presentation. In the 1950s, Hitchcock tried to revive the old system on an independent basis, but he was shot down by the government. Eventually the market adjusted to take account of the government's new antitrust rules, but the costs included the good films not made during the intervening period.

Antitrust intervention is often triggered during periods of great innovation, when markets are in the process of sorting themselves out in the face of immense new consumer demand for a product. At the turn of the century, it was oil. In the 1940s, it was film. In the 1990s, it was computers and software. In each case, what these burgeoning industries needed more than anything was freedom and rivalry. Intervention ends up decreasing quality, increasing price, and, ironically, reducing choice.

AEN: In the case of sports, which you have also investigated, people end up blaming markets for damage done by antitrust.

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involved in, why do so many choose drugs? In part, because it is illegal and because the government's wild warnings about drugs are completely out of proportion to their actual danger.

AEN: This seems to be true in a number of areas in your research—for example, antitrust.



THORNTON: Yes, people often get furious about this in the case of baseball, when their favorite players are traded from their favorite team to some other team across the country, or their city government forks over millions to build new stadiums. They blame the players' greed or the competitive process for bidding up salaries. Neoclassical economists come along to defend the system on grounds that it is competitive: players should be able to shop for the highest bidder.

But it takes an Austrian economist to observe that Major League Baseball was established to be competitive, not between players so much as between teams. It is perfectly reasonable for the contract to specify that a team member must commit to playing on a certain team and for that rule to be enforced by the entire league. That is not uncompetitive; it is a market-based attempt to regulate competition in a way that would be most appealing to the people

who buy the tickets. Leave it to government to bust it up in the name of market economics.

Government antitrust power has wrecked baseball, football, and a host of industries, yet people decry the results as the consequences of the market economy. Antitrust is like other forms of regulation in that respect: It distorts the way the world should work, but in ways that aren't always traceable. In the Microsoft case, the software development division of the company is as much, or more, concerned about compliance as it is with consumer desires and innovation. Decisions are based on what lawyers, not consumers, want. This is a great tragedy.

AEN: In your work, you have also picked up the Rothbardian project of reconstructing the history of thought. That has included some work on Frédéric Bastiat.

THORNTON: Whose birthday was two hundred years ago this

year. It is very gratifying to see how many Austrians and Misesians the world over have celebrated this with conferences and essays. Many economists know that he was a wonderful writer and had a great flair for communication. Even Federal Reserve bank presidents say he was great.

What's been missing from the analysis is that Bastiat was a great economist and a very serious thinker. He was unbelievably correct on a range of issues: method,

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policy, and theory. He wasn't just an advocate of free markets. He understood economic method as deductive and saw prices as a tool of rendering economic value into usable units. In other words, he was a pre-Austrian who embraced the heart of Austrian theory.

AEN: Can Austrians bring anything special to the study of the history of ideas?

THORNTON: Austrian theory is sometimes given credit for its narrow contributions to entrepreneurship or subjective value. But it is really much more than that; it is an entirely new way to understand the science of human action itself. So, yes, it makes it possible to understand the history of economic doctrine in a different way.

WE ARE FOOLING OURSELVES IF WE THINK THAT POLITICS IS A COMPLETE ANSWER TO THE PROBLEMS WE FACE.

There's something else. Austrians have a particularly acute desire to engage themselves in real studies of history—not just data and aggregates, but people, places, and politics. You can't understand the history of ideas without knowing about the real history that the thinker himself was dealing with at the time he wrote. You

must consider the context of ideas. For example, with Bastiat, it matters that he had serious health problems and was in imminent danger of death. That helps explain his attachment to speaking the truth with such clarity and passion. It was a pious effort to make a contribution to mankind before he took his last breath.

It makes an interesting exercise to consider how differently economists would write and think if they knew that they might be dead next week. We might find that they would write fewer irrelevant statistical studies that don't amount to anything. They might take some time to reflect on first principles.

AEN: You just completed a week-long teaching session that took on the whole of *Human Action*. Any thoughts?

THORNTON: It is a completely different experience to study this book as a teacher as opposed to a reader. It takes on a different cast—just as brilliant, but in a different way. It's a wonderful textbook. You come to realize how important it is to be under the guidance of a teacher when you are learning Austrian economics. Since the time it came out fifty years ago, it has been absorbed mostly through private study. So the inauguration of these systematic sessions is a wonderful thing that will prove very fruitful.

AEN: You spent time in a political position.

THORNTON: My official position was assistant superintendent of banking, in the administration of former Governor Fob James of Alabama. I did economic analyses of government agencies, policies, and reform. Working for Governor James was great. He was an unusual politician. In fact, he wasn't a politician; he's a businessman, which is why I got the job. He found out about me during a Mises Institute seminar and hired me because of my libertarian views, if you can imagine.

The most general lesson I took with me is that state government is just a franchise outlet for national government. Our constraints were huge. We could reform some things and adjust some budgets, but most of what state government does is dictated by the federal government. Competition between states doesn't exist to the extent that it did once or should today. In a whole range of areas—welfare, highways, prisons, education—the states are all the same because the federal government has colonized them all.

Even so, I think I can recommend experience in state government at the policy level—not as a career, but as an experience. It made me a better economist, and it made me more confident about the Austrian intellectual framework and its eminent applicability to the real world. But we are fooling ourselves if we think that politics is a complete answer to the problems we face. It warps you if you stay in it too long. AEN

About the *Austrian Economics Newsletter*

The *Austrian Economics Newsletter* was first published in the Fall of 1977, under the auspices of the Center for Libertarian Studies, which was then located in New York City. The writers and editors were part of a small but growing contingent of graduate students in economics who had been influenced by Ludwig von Mises's New York seminar and the writings and personal example of Mises's students Murray N. Rothbard and Israel M. Kirzner, as well as Ludwig Lachmann. Their goal was to reinvigorate Austrian theory in a new generation as a means of combating mainstream trends in economic thought.

But for the Nobel Prize given to F.A. Hayek in 1974, academia then considered Austrian economics a closed chapter in the history of thought, supplanted by Keynesianism and the neoclassical synthesis. The purpose of the *AEN* was to provide a forum for Austrian students and serve as a communication tool for the new movement. Among its most effective offerings was the interview, which provided students an inside look into the thinking, drawn out in an informal setting, of the best Austrian theorists.

At the request of the Center for Libertarian Studies, the Mises Institute assumed responsibility for the publication in 1984 and nurtured it to become the most closely read periodical in the world pertaining exclusively to the Austrian School. Two years later, Murray N. Rothbard founded the *Review of Austrian Economics* (later succeeded by the *Quarterly Journal of Austrian Economics*) to provide an outlet for scholarly articles, thereby relieving the *AEN* of this responsibility. The *AEN* began to emphasize reviews, topical pieces, and, most of all, the extended interview as an effective means of highlighting the newest contributions of Austrians to the literature. Today, interview subjects are now chosen from a variety of disciplines to reflect the full influence of the Austrian tradition.

Over the years, the *AEN* has interviewed a variety of scholars, including the following:

Dominick T. Armentano	Israel M. Kirzner
Walter Block	Peter G. Klein
James Buchanan	Ludwig M. Lachmann
Paul Cantor	Fritz Machlup
Thomas J. DiLorenzo	Roberta Modugno
Gene Epstein	Hiroyuki Okon
Roger W. Garrison	Michael Prowse
James Grant	Murray N. Rothbard
Bettina Bien Greaves	Joseph T. Salerno
Gottfried von Haberler	G.L.S. Shackle
Henry Hazlitt	Karl Socher
Randall G. Holcombe	Leland B. Yeager
Hans-Hermann Hoppe	Pascal Salin
Jeffrey M. Herbener	Frank Shostak
Jesús Huerta de Soto	Mark Thornton
George Koether	Richard K. Vedder

Complete archives of these interviews are available at <http://www.mises.org/journals.asp>.

With the expansion and redesign of the *AEN* that begins with Volume 21, the *AEN* seeks to put on display the energy, creativity, and productivity of today's Austrian thinkers, who work in many fields to bring the insights of the tradition to bear on new issues of the day. It is a sign of the health and vigor of the Austrian movement that the list of thinkers slated for interview in the future grows ever longer.

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